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Green Banking: The Next Level in Modern Banking

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ABSTRACT

To achieve long-term prosperity through a more sustainable, equitable, and robust economic growth, one must consider the role of one of the most important drivers, financial capital. The financial system (as the main provider of financial capital) needs to adapt by embracing sustainability practices and principles, and integrating them in all its internal processes. Within the EU financial system, the banking sector is undoubtedly the main player. As such, banks also have to join the sustainable development wave. In light of all these, ‘green banking’ is growing in importance and is becoming an ardent topic in the agenda of many governments, international organizations, enterprises and, last but not least, financial institutions. The aim of this research is to identify the role of financial regulation and regulators in harnessing Green Banking and to determine the involvement of banking institutions in fostering such peculiar banking activities. We begin with unpacking the concept by revealing the most relevant theoretical approaches to date, in order to better grasp and fine-tune its meaning. After critically assessing the most important researches and institutional reports to date, the paper provides the reader with the essential toolkit for moving forward with a more in-depth investigation on Green Banking.

KEYWORDS green banking; green finance; sustainability; financial regulators; banking institutions

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